



OMB Control Number 1010-0126

Expiration Date: June 30, 2006

INVITATION FOR OFFER - SOUTHERN GREEN CANYON CRUDE

IFO No. 1435-02-05-RP-25894

TERM: June 1, 2005 - June 30, 2005

Introduction

The Minerals Management Service (MMS) is soliciting offers from pre-qualified companies for the purchase of all or part of MMS' royalty crude oil in the properties listed on the attached Exhibit. MMS intends to sell the identified production as an outright sale.

General Offer Specifications

Quantity and Quality

All or a percentage of MMS' royalty interest (12.5% of lease production) from the properties identified on the attached Exhibit. Volumes may vary according to production capabilities and operating conditions.

Offerors are requested to include a minimum and maximum volume for which an offer price applies. Simply tell us what volume you will accept at the price you provide in your offer. If no maximum limit is specified, offerors agree to accept the full quantity of crude delivered by MMS. MMS will make awards based on a percentage of MMS' royalty interest.

Offers for the crude should be based on common stream gravity and sulfur delivered into the inlet of Cameron Highway Offshore Pipeline System (CHOPS) onshore delivery points as shown in the attached Exhibit.

Treating, Transportation and Other Production and Marketing Costs

The buyer is responsible for transportation and other costs at and beyond the sales point, including applicable terminal fees.

Delivery

MMS will make delivery at the inlet of CHOPS onshore delivery points. The successful offeror(s) will notify MMS by noon MST on May 17, 2005 as to the delivery point(s) where MMS should nominate the royalty oil for the entire delivery month.

Title to and risk of loss in the crude oil shall pass from MMS to the successful offeror(s) as the crude oil enters the onshore delivery point. Measurement will be via mutually agreed meters.

Term

June 1, 2005 through June 30, 2005.

Offers

Offerors must submit offers as an increment or decrement from either or both of the preferred pricing formula listed below. If you would like to offer based on an alternative pricing formula, please caveat your offer with the alternative pricing formula used and/or call either of the technical contacts listed below.

1. $(\text{Koch WTI Posting} + \text{Platts or Argus P}^+) - (\text{Platts or Argus WTI} - \text{Platts or Argus Mars})$
2. $(\text{Calendar NYMEX} + \text{Daily Roll}) - (\text{Platts or Argus WTI} - \text{Platts or Argus Mars})$

Where: Koch WTI Posting: Koch Supply and Trading's posting for West Texas/New Mexico Intermediate (WTI), deemed 40° API, for the Physical Month of Delivery

Platts or Argus P⁺: Arithmetic average of the daily high and low price quotes for "P-Plus WTI" for the Platts or Argus Month of Delivery

Platts or Argus WTI: The arithmetic average of the daily high and low price quotes for WTI for the Platts or Argus Month of Delivery

Platts or Argus Mars: The arithmetic average of the daily high and low price quotes for Mars for Argus Month of Delivery or the Market On Close (MOC) price quotes for the Platts Month of Delivery

Calendar NYMEX: Arithmetic average of the daily settlement price for the "Light Sweet Crude Oil" front month futures contract reported by the New York Mercantile Exchange (NYMEX) during the Physical Month of Delivery (excluding weekends and holidays)

Platts or Argus Month of Delivery: Refers to quotes in Platts Oilgram Price Report or Americas Crude Price Report for the period of time from the twenty-sixth day of the month two months prior to the physical month of delivery through the twenty-fifth day of the month one month prior to the Physical Month of Delivery (excluding weekends and holidays)

Physical Month of Delivery: The calendar month when the crude oil is delivered

Daily Roll: $(X - Y).6667 + (X - Z).3333$, where:

X = Average of the daily NYMEX settlement price for the prompt month, trading days only, when the Physical Month of Delivery is the prompt month trading on NYMEX

Y = Average of the daily NYMEX settlement price for the second month during the same period, trading days only

Z = Average of the daily NYMEX settlement price for the third month during the same period, trading days only

The successful offeror(s) will make appropriate quality adjustments to their payment to match the actual gravity and sulfur of the delivered royalty oil by using the applicable Mars GravCap tables. The quality adjustment will be based on the difference between the gravity and sulfur shown on the attached Exhibit and the actual gravity and sulfur delivered.

Documentation

Successful offerors will provide MMS with pipeline statements within 2 days after the documents have been made available by the pipeline. Pipeline statements should be sent to rik.project@mms.gov.

Offer Deadlines

The attached Exhibit is the offer sheet to be completed and faxed or emailed. Offers must be made to the nearest \$0.0001. Offers must be made in writing and submitted to Crystel Edler via facsimile (303-231-3846) or email (crystel.edler@mms.gov) by 2:00 p.m. MST on April 11, 2005. MMS will confirm receipt of all offers.

Awards

MMS reserves the right to reject any and all offers. Awards will be based on a percentage of MMS' royalty interest. The royalty oil will be awarded by 3:00 p.m. MST on or before April 13, 2005.

Payment

Payment is to be made by wire transfer on or before the 20th day of the month following the month of delivery. MMS will provide wire transfer data upon award.

Assignment

The Contract shall extend to and be binding upon the successors and assigns of the Parties, but neither this Contract nor any part, specifically including the right to receive payment, shall be assigned or transferred by either Party or by law without the prior written consent of the other Party, which shall not be unreasonably withheld, and any assignment or transfer made by either Party without the other Party's written consent need not be recognized by and shall not be binding upon the other Party.

Limitation of Liability

Neither Party shall be liable for indirect, special, or consequential damages.

Governing Contract

This transaction is governed by the MMS base contract "RIK Crude Oil General Terms and Conditions," signed by the offeror and MMS. Conflicts between the MMS base contract and the terms of this IFO will be resolved in favor of this IFO. Only companies who have pre-qualified and signed the MMS base contract may receive a contract.

Credit

Buyer must maintain adequate credit coverage for this sale, by surety or MMS-approved credit, subject to section 11 of the Royalty-in-Kind Crude Oil General Terms and Conditions. Please see our website at <http://www.mrm.mms.gov/rikweb/Oilprequal.htm> for pre-qualification information.

Contacts

- Technical:
Stacy Leyshon
303-231-3638 (work)
720-201-3630 (cell)
303-231-3846 (fax)
Email: Stacy.Leyshon@mms.gov or

Crystel Edler
303-231-3126 (work)
720-201-3633 (cell)
303-231-3846 (fax)
Email: Crystel.Edler@mms.gov
- Credit:
Larry Cobb
303-231-3307 (work)
303-231-3846 (fax)
Email: Lawrence.Cobb@mms.gov
- Invoicing:
Bernie Muniz
303-231-3854 (work)
303-231-3846 (fax)
Email: Bernadette.Muniz@mms.gov
- Contracts:
Margaret Miller
303-231-3932 (work)
303-231-3846 (fax)
Email: Maggie.Miller@mms.gov

Paperwork Reduction Act of 1995 (PRA) Statement:

The OMB Control Number for this IFO is 1010-0126 with an expiration date of June 30, 2006. The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to document fulfillment of royalty obligations on minerals removed from Federal lands. The MMS uses the information to maintain and audit lease accounts. Responses are voluntary (43 U.S.C. 1334). Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(1), (4)), and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden for this form is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street, NW., Washington, DC 20240.

Exhibit

Property Name	Operator	Royalty Oil Type	Gulf Coast Market Center	Custody Transfer Point	Custody Transfer Point Estimated Royalty Volume (bbls/day)	Gravity/1	Sulfur/1	Minimum Offer Quantity/2	Maximum Offer Quantity/2	Koch Offer	NYMEX Offer
Green Canyon 645/782 (Holstein/Mad Dog)	BP	Southern Green Canyon	Texas City or Port Arthur	Various Onshore CHOPS Delivery Points	12,000	33.5	1.96%				

1. Gravity and Sulfur based on February 2005 data.
2. MMS will base all awards on a percentage of MMS' royalty interest.